



# Council Agenda Report

Date: 2/6/2024

Item No.: 14.

**FROM:** Hans Uslar, City Manager

**SUBJECT:** Provide Guidance Concerning 2024/25 Neighborhood and Community Improvement Program (NCIP) Objectives and Priorities \*\*\*NCIP\*\*\* (Not a Project Under CEQA per Article 20, Section 15378, and Under General Rule Article 5, Section 15061)

## **RECOMMENDATION:**

That the City Council provide guidance to the Neighborhood and Community Improvement Program (NCIP) Committee regarding submissions and prioritizing projects that address public health, safety, and essential facilities.

## **VALUE DRIVERS:**

In collaboration with our community partners, work to improve the quality of life of all of our community members by fostering diversity, equity, and inclusion; championing equitable access to affordable housing; and maintaining a safe environment.

Serve as stewards of the City's financial resources through sound economic vitality efforts, streamlining operations, reasonable revenue enhancements, visionary long-term planning, fiscal transparency, and community partnerships.

Expand opportunities for people of all ages and abilities to bike and walk safely through active transportation, accessibility, and safety initiatives.

Foster a local government that is transparent and collaborative; and solicits, welcomes and appreciates input from all.

## **POLICY IMPLICATIONS:**

This action is consistent with past Council practice to provide guidance to the NCIP Committee prior to project submissions.

## **FISCAL IMPLICATIONS:**

There are no direct fiscal implications associated with providing guidance to the NCIP Committee.

City Council approved 44 new NCIP projects in 2023 with an estimated value of \$6.5 million. As of January 2024, there are 73 active NCIP projects with a budget of approximately \$12 million, including \$1.04 million of funding in contingency. The unappropriated and available fund balance is \$4.8 million. With the additional Fiscal Year 24/25 funding of \$6 million in projected revenues, less \$450K in administrative expenses, and unassigned fund balance of \$4.8 million,

the total NCIP budget will be approximately \$22.35 million. This results in \$10.35 million in available funding for NCIP in FY25.

NCIP Active Project Balance	\$12,000,000
NCIP Projected FY25 Revenues	\$6,000,000
Less FY25 Admin Expense	(\$450,000)
NCIP Projected FY25 Unappropriated Fund Balance	\$4,800,000
NCIP Total Budget	\$22,350,000

**ENVIRONMENTAL DETERMINATION:**

The City of Monterey determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA)(CCR, Title 14, Chapter 3 (“CEQA Guidelines), Article 20, Section 15378). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or any reasonably foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

**ALTERNATIVES CONSIDERED:**

The City Council could choose not to provide guidance to the NCIP Committee to prioritize projects that address public health, safety, and essential facilities; however, this is not recommended because the City has significant unfunded critical infrastructure needs with limited funding sources available. Utilizing other City funds would result in a reduction of other services or programs, which is not recommended. The projects described in this agenda report are in dire need of repair, and if these critical needs are not addressed, an option would be to close the facilities and the services provided at these facilities.

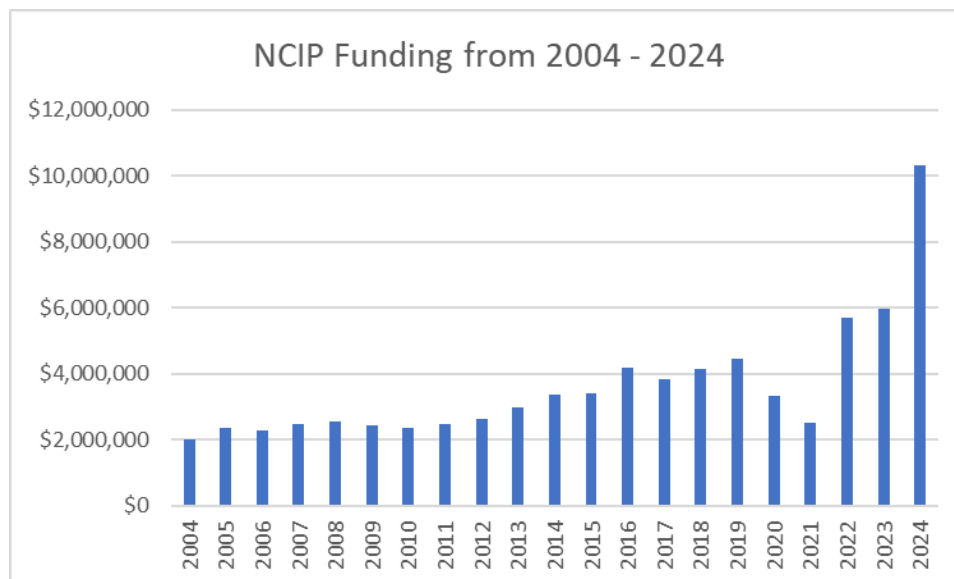
**DISCUSSION**

As in previous years, City Council provides guidance to the NCIP committee on program objectives and priorities at the beginning of the NCIP Year, prior to project submissions. It is projected that this year the NCIP will receive approximately \$10.3 million in funding, the largest amount of funding the program has received since its establishment in 1985. The NCIP is funded through the allocation of 16 percent of the money collected through hotel taxes (Transient Occupancy Tax).

### ***NCIP Program: Funding New Projects or Existing Infrastructure?***

The purpose of the NCIP Program since its inception has been to direct tourist-generated dollars directly back into the City’s residential neighborhoods and to provide for capital projects of community-wide benefit. (Charter section 6.6.) The City Funds programs and projects that are ranked and recommended by residents.

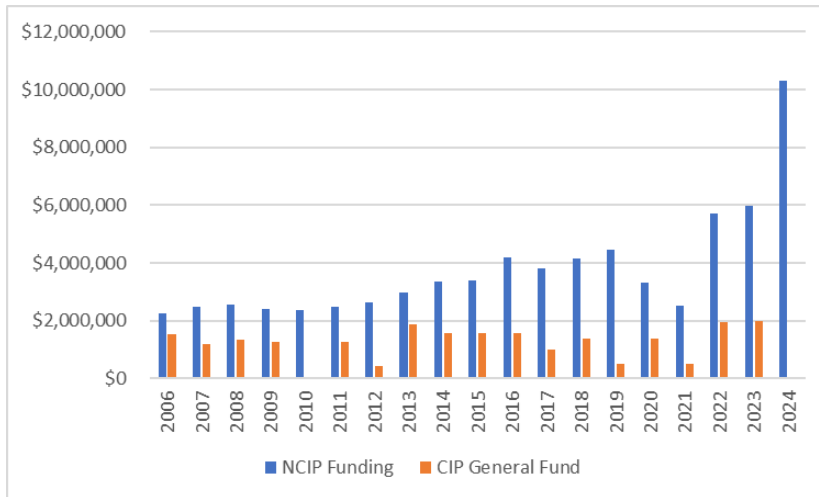
Over the past 20, annual funding for the NCIP Program has grown considerably, from \$2 million in 2004 to a projected \$10.8 million in 2024.



*\*2024 shows an additional \$4.8 million in accumulation of unassigned fund balance from revenue collected prior to 2024.*

Some community members have viewed that NCIP funding is separate from the City’s funds, and that the rehabilitation or renovation of existing City facilities should be funded from the City’s General Fund or other sources, and not NCIP. To clarify, first, NCIP dollars are generated from the City’s Transient Occupancy Tax (TOT) collections and are, in fact, City funds. And secondly, it is financially infeasible for the rehabilitation of existing City facilities to be funded only from non-NCIP sources since there are not enough General Fund dollars to support City operations and the City’s aging infrastructure. Funding City services, such as staffing (police officers, firefighters, park workers, and other staff) and other operational costs, such as insurance, supplies, and materials, has increased drastically over the past several years.

This means that there are insufficient General Fund dollars to fund the City’s infrastructure needs fully, and the City must rely on other sources. As shown in the graph below, the amount of NCIP funding far exceeds General Fund CIP funding. This is because there is so little General Fund money available for CIP projects after operating costs, pension liabilities, insurance, debt payment, and other expenses are incurred.



*\*2024 shows an additional \$4.8 million in accumulation of unassigned fund balance from revenue collected prior to 2024.*

Absent closing down existing City facilities because of a lack of funding to maintain them or cutting core services (neither of which staff recommends, and would be a disservice to the community), the City must continue to look at the NCIP as a funding source to retrofit and repair existing aging infrastructure in our neighborhoods. There are countless examples of the NCIP Committee continuing to support Citywide projects that support City facilities and are of community-wide benefit.

The City Council, the City Council-appointed NCIP Committee Members, and City staff have a long history of collaboration and understanding each other's needs. For example, in 2020, as a consequence of the economic devastation caused by the COVID pandemic, the City Council re-allocated over \$10M of NCIP funding towards the operations of the City. Without that action, the City would have faced more severe layoffs and drastic service reductions than it already has. In 2022, the NCIP added a \$1.2M Sports Center dehumidifier replacement project to their list. At that time, other funding sources were not available; however, at the budget midyear point in FY 22/23, funds were reallocated to NCIP using budget savings and unassigned balance. These two examples show how well Council, NCIP Committee Members, and City Staff understand that NCIP funds support a variety of projects in our community and in our neighborhoods.

As a result of this prior Council guidance, the NCIP Committee has been aware of the Council's fiscal responsibilities, priorities, and value drivers. As such, NCIP-recommended projects were more heavily weighted towards projects that addressed the City Council's priorities of public health, public safety, and essential functions. The project application deadline for the 2024 NCIP Year is February 9, 2024, and the recommended NCIP budget and projects are anticipated to be brought to the City Council in the fall of 2024. The City Council will consider the recommendations presented by the NCIP Coordinator and establish a budget for each approved project.

**Current Status of the NCIP Program**

City Council approved 44 new NCIP projects in 2023 with an estimated value of \$6.5 million. As of January 2024, there are 73 active NCIP projects with a budget of approximately \$12 million,

including \$1.04 million of funding in contingency. The unappropriated and available fund balance is \$4.8 million. With the additional Fiscal Year 24/25 funding of \$6 million in projected revenues, less \$450K in administrative expenses, and unassigned fund balance of \$4.8 million, the total NCIP budget will be approximately \$22.35 million.

The number and variety of approved NCIP projects have stretched staff's ability to deliver the projects in a timely manner. Unfortunately, this is not a new issue but exacerbated by the current staff shortage. NCIP projects require careful planning, project management, and expertise across multiple City Departments. Currently, one full-time equivalent staff engineer is dedicated to the design and implementation of NCIP projects. In order to implement the program successfully and timely, approximately six (6) to seven (7) full time employees would be required to be assigned to the NCIP program.

The City is progressing in its efforts to hire additional engineers by increasing compensation, offering hiring incentives, and utilizing creative recruitment methods; however, there are challenges with the current market and competition for engineers affecting public agencies and private engineering consulting firms throughout the region. The Engineering Division currently has nine (9) vacancies for positions responsible for design, project management, and construction management. These vacancies critically impact the division's ability to deliver NCIP, CIP, and Measure P/S projects. The City is also augmenting its capacity by contracting with consultants; however, consultants are also facing staff shortages and increased lead time for delivery of projects.

Historically, the City Council has provided guidance to the NCIP committee on projects it would prefer to see considered in the upcoming funding cycle. For example, Council could indicate it would like to see NCIP prioritize projects that make improvements to public safety, parks and recreation, and utility infrastructure projects such as: critical deferred maintenance at Fire Stations, park center improvements, city infrastructure and utility undergrounding.

### ***Project Impacts to Ongoing Operation and Maintenance (O&M) Costs***

Certain NCIP-recommended projects have ongoing annual O&M costs. NCIP projects bring great value to the community; however, after the initial NCIP funding for construction, the non-NCIP project funding is responsible for funding of any related O&M costs out of the General Fund. This exacerbates the City's infrastructure funding conundrum: limited funds are available outside of NCIP for necessary facility rehabilitation, and new NCIP projects that need to be repaired or replaced over time also rely on the limited non-NCIP funds. Staff estimates the total costs of O&M for NCIP completed projects exceed \$2 million each year. For example, O&M expenses include water and electrical charges for new shower stations, water fountains, and streetlights. The repair costs for items such as the Del Monte Beach Boardwalk or radar speed signs are other examples. As beneficial as these projects are to the community, these ongoing O&M expenses are not budgeted for future year expenses, increasing the City's long-term financial obligations and limiting the City's ability to plan and budget for the City's capital needs over time.

To provide additional perspective to the discussion on the needs the City is facing, staff has been working on a needs assessment of our critical infrastructure as well as City-owned facilities. In 2011, it was estimated that the infrastructure needs were \$110 million; this equates

to roughly \$150 million in 2024. Staff is preparing a current needs assessment and preliminary estimates show that the needs exceed \$150 million. A more detailed presentation to Council on this issue is expected by summer 2024. There is a substantial gap between projected infrastructure needs and funding. Every city and county is facing rising expenses for the operation, maintenance, and rehabilitation of infrastructure. Insufficient investment over the years has led to a growing backlog of projects, hindering the overall functionality and safety of essential infrastructure.

Currently, the City of Monterey lacks the necessary funding within its current tax and revenue framework to adequately maintain its infrastructure assets. The repercussions of this infrastructure deficit are far-reaching, affecting public safety, community services, and the overall quality of life for our community. The City continues to invest in programs and services by funding staff who deliver these services. However, staff and the community rely on buildings that are adequately maintained in order to deliver services effectively. Historically, the City has “kicked the can down the road” by funding necessary core personnel staffing levels, such as recreation staff and firefighters, but inadequately funding neglected facilities such as community centers and fire stations where our personnel work and provide services to the community.

Despite the daunting nature of this funding gap, City Staff is striving for transparency and emphasizing that the challenge should not be deferred to future generations of councilmembers and staff. This approach reflects a sense of responsibility toward ensuring the sustainability and resilience of the City's infrastructure, recognizing that delayed action could exacerbate the existing issues and lead to more significant challenges in the future. Neglected infrastructure does not only result in additional maintenance costs over time, but it also has a serious impact on the ability of the City to recruit and retain talented employees who do not want to work in dilapidated facilities or community members who do not want to participate in programs held in poorly maintained facilities.

Measure P and S have been critical to the repairs of our streets, storm drains and installation of curb ramps. However, these funds can only be used to address specific projects. It is clear we have a significant challenge to adequately fund our infrastructure, including City-owned buildings.

### ***Projects for Consideration***

The following Projects are recommended for priority consideration:

#### **Fire Station 12 (New Monterey) Rehabilitation**

Monterey's neighborhood fire stations support the needs of the fire department and the neighborhood in which they are located. The fire stations are considered critical infrastructure and staffed by firefighters 24 hours a day, seven days a week. They must accommodate extremely diverse functions, including sleeping quarters, kitchens, physical fitness area, training area, fire apparatus bays and storage of firefighting equipment. While it is usually only occupied by fire personnel, the facility frequently accommodates the general public for community education outreach programs, walk-in medical services, and other services as needed.

Fire Station 12 is located at 582 Hawthorne Street, and largely serves the New Monterey neighborhood, Cannery Row Business District, New Monterey Business District, and the Fire

Department's Marine Operations based at Coast Guard Pier. The City has not invested in any significant improvements or upgrades since the station was built in 1951.

The Fire Station 12 rehabilitation project would consist of:

- Roof repairs
- Repair concrete slab by bay doors and reseal concrete
- Kitchen remodel
- Replace exterior windows with double-pane windows for operability and energy efficiency
- Replace non-operable generator with a new unit
- Interior paint
- Replace exterior deck
- Restrooms and shower remodel and upgrade
- Building termite treatment and tenting
- New interior flooring
- New HVAC system to address heating issues
- New domestic hot water heater
- Lighting upgrade in the truck bay and living quarters
- Resurface parking lot
- Upgrade emergency communication sound system for better clarity and functionality

Staff estimates these repairs and upgrades at \$1.05M.

### **Fire Station 13 (Villa Del Monte) Rehabilitation**

Fire Station 13 is located at 401 Dela Vina Avenue. The City has not invested in any significant improvements or upgrades since the station was built in 1951. The fire station, which serves the neighborhoods of Villa del Monte, Del Monte Beach, Casanova Oak Knoll, Del Monte Grove/Laguna Grande, City of Sand City, and other neighborhoods, is in need of significant repairs. The Fire Station 13 rehabilitation project would consist of:

- Roof repairs
- Repave and repair parking lot
- Kitchen remodel
- Replace exterior windows with double-pane windows for operability and energy efficiency
- Replace end of life generator with a new unit
- Interior paint as needed
- Restrooms and shower remodel and upgrade
- Building termite treatment and tenting
- New interior flooring
- New HVAC system
- New domestic hot water heater
- Lighting upgrade in the truck bay and living quarters
- Attic vent repairs
- Truck bay door frame repair
- Wall repair in workout area with reinforced paneling

- Wall hole repair and seal
- Upgrade emergency communication sound system for better clarity and functionality
- Install outdoor access area for the grant-funded Library locker to allow greater access to Library services

Staff estimates these repairs and upgrades at \$1.2M.

### **Hilltop Center (New Monterey) Rehabilitation**

Hilltop Center is located at 871 Jessie Street in the New Monterey neighborhood. The Hilltop Park Center is a repurposed school and includes meeting and classrooms, two large activity rooms, a community room, ceramics and art space, preschool rooms, and kitchen facilities. The building has not been remodeled to accommodate its use as a community center. It opened in 1985 and has had minimal repairs or upgrades since then.

The Hilltop Center rehabilitation project would consist of:

- New roof to include trusses
- New sewer lateral and repair of basketball courts
- Replace exterior windows with double-pane windows for operability and energy efficiency
- New lighting system for entire building with office control and programming
- Building termite treatment and tenting
- Install a dedicated generator (emergency shelter)
- Replace several exterior doors
- Replace gutters and downspouts
- Consolidate HVAC systems into two large systems for increased efficiency and environmental controls
- Kitchen remodel and appliance upgrade
- Pottery room plumbing and sediment filtration upgrade
- New flooring as required
- New interior and exterior paint

Staff estimates these repairs and upgrades at \$2.3M. Current partially funded CIP projects for the roof and sewer lateral amount to only \$305,000. A total of \$2 million is needed for critical repairs to this Recreation Center.

### **Underground Utilities Program**

Residents have expressed support and interest in undergrounding utilities. This program would require funding a full-time program manager who would prioritize and coordinate with PG&E on design and implementation of undergrounding utilities and underground utility projects. NCIP funded a 2018 Undergrounding Study that was presented to the Monterey Vista and Old Town Neighborhoods. The Study identified preliminary project costs at \$800 to \$1,500 per centerline foot. This equates to \$1,000 to \$2,000 per centerline foot in 2024. The new program manager would determine how to prioritize projects (specific streets or neighborhoods) and assess any additional costs to property owners. Individual property owners would still incur the cost to transition from overhead to underground service (for new electrical service panels, trenching, or



boring to the house from the street). The costs are estimated to range from \$2,600 to \$50,000 per property.

Approximately 5% of the City's streets have already been undergrounded (5 miles); the cost to underground the remaining 98 miles of public streets can be expected to range between \$530M to \$1B. Funding these program costs or the project management from the General Fund is not realistic considering the current infrastructure needs. Staff recommends that \$2 million, approximately 25% of NCIP funding, be allocated annually to an Undergrounding Program.

### **Public Safety Building**

At this time, staff does not propose funding from the NCIP towards a new Central Public Safety Building, which will house Police, Fire, and the Emergency Operations Center (EOC). Council will receive a separate briefing from staff and the consultant team outlining the concept for a new building, the estimated costs, and potential funding mechanism. It is important to start tracking this future capital project as well, and Council has done that last year by implementing a Public Safety Reserve Fund.

### **Staff Recommendation**

Staff recommends that Council makes the above projects a priority for NCIP funding. The total remaining funds available for new NCIP projects would amount to \$4.8 million for this year's program.

NCIP Available Funding	\$10,350,000
Fire Station 12 estimate	\$1,050,000
Fire Station 13 Estimate	\$1,200,000
Hilltop Center Estimate	\$2,000,000
Undergrounding of Utilities annual estimate	\$2,000,000
Remaining Funds for new NCIP projects	\$4,100,000

Additionally, Staff recommends that the City Council advise the NCIP Committee to continue to focus on projects that address public health and public safety, and that special attention be paid to City facilities since this component of the City's infrastructure is critically underfunded.

Staff looks forward to Council's discussion and recommendations.

c: NCIP Representatives

Writings distributed for discussion or consideration on this matter within 72 hours prior to the meeting, pursuant to Government Code § 54957.5, will be made available at the following link: <https://monterey.org/Submitted-Comments>